

Making Life Work: Higher Education

“And when...children graduate from high school, we must expand their choices and college should be a viable option.”

Background:

On February 5, 2013 Majority Leader Eric Cantor delivered a speech at the American Enterprise Institute (AEI) entitled “Making Life Work.” Below are some the facts, figures, and background information referenced in the speech.

Higher Education:

According the Department of Education, the annual cost in constant dollars at a four year school went from \$8,672 in 1980-1 to \$21,657 in 2010-11.¹

The Department of Education also reports that approximately 58% of first-time, full-time students who began seeking a bachelor's degree at a 4-year institution in fall 2004 completed a bachelor's degree at that institution within 6 years.²

Outstanding student loan debt now exceeds consumer debt and stands in excess of \$1 trillion -- with 80% or more of the debt in the form of loans made or backed by the federal government.³

Workforce Needs:

According to President Obama’s Jobs Council, there will be a potential unmet demand for up to 1.5 million college graduates by 2020. There is also a persistent unmet demand of 400,000 to 500,000 job openings in the healthcare sector. The Jobs Council also reported that analysis by the IMF and the Federal Reserve Bank of Minneapolis suggest that the skills gap may account for one-quarter to one-third of the unemployment rate.⁴

Georgetown University’s Center on Education and the Workforce released a study last year confirming that not all college degrees are created equal. Amongst college graduates, unemployment rates are generally higher in non-technical majors, such as the Arts (11.1 percent), Humanities and Liberal Arts (9.4 percent), Social Science (8.9 percent) and Law and Public

¹ "National Center for Education Statistics: Tuition costs of colleges and universities." *Institute of Education Services*. IES. Web. <<http://nces.ed.gov/fastfacts/display.asp?id=76>>.

² "National Center for Education Statistics: Graduation Rates." *Institute of Education Services*. IES. Web. <<http://nces.ed.gov/fastfacts/display.asp?id=76>>.

³ "Student Loan Debt Statistics." *American Student Assistance*. ASA. Web. <<http://www.asa.org/policy/resources/stats/default.aspx>>

⁴ "Taking Action, Building Confidence; Five Common Sense Initiatives to Boost Jobs and Competitiveness." *Jobs Council*. President's Council on Jobs and Competitiveness, 11 Oct 2011. Web. <http://files.jobs-council.com/jobscouncil/files/2011/10/Jobscouncil_InterimReport_Oct11.pdf>.

Policy (8.1 percent). Higher unemployment rates amongst these majors generally holds true even for college graduates with work experience.⁵

Making Life Work Proposals:

In the AEI speech, Majority Leader Cantor discussed the following policy proposals:

Increasing Transparency: Currently the federal government collects significant information regarding the performance of colleges and universities and has other data regarding employment and unmet labor demands. Updating how this information is collected and aggregated would permit parents and students to have the information necessary to make well-informed decisions about their higher education plans. Information provided to parents and students could include:

- Average cost (broken down by tuition, fees, room, and board, etc) and debt load
- Unemployment and earnings by major
- Current labor demand for certain occupations
- Graduation rates and average time to completion
- Loan default rates

Senators Rubio and Wyden have introduced legislation along these lines and the Administration has launched its own initiative to improve transparency.

Reforming Student Aid: In 2011 Congress enacted proposals that limit the amount of time a student can receive Pell Grants and subsidized student loans.⁶ These proposals provided a modest incentive for students to complete their studies more quickly. Congress should explore whether student aid programs should be further reformed to provide incentives for early completion. In addition, the growth in competency-based approaches to granting degrees and alternatives to the traditional higher education model, including for-profit schools, could help reduce costs while ensuring that we are educating students to meet the workforce demands of tomorrow.

⁵ Carnevale, Anthony P., Ban Cheah, and Jeff Strohl. "Hard Times: College Majors, Unemployment and Earnings; Not all College Degrees Are Created Equal." 1-20. Web.
<<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Unemployment.Final.update1.pdf>>.

⁶ "Recent Changes to the Student Aid Programs." *Federal Student Aid*. US Department of Education. Web.
<<http://studentaid.ed.gov/about/announcements/recent-changes>>.